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Report Highlights:

At the time of writing this report, drought and low prices for fresh oranges are constraining orange production in Australia. Total orange production for 2010/11 is up slightly on estimated production from the previous year. Total exports of oranges in 2010/11 are unchanged from the estimate for the previous year. A historically high Australian dollar value for the foreseeable future is expected to constrain exports of Australian oranges despite a modest increase in production.

Commodities:

Oranges, Fresh

Orange Juice

Summary

At time of writing this report, drought and low prices for fresh oranges are constraining orange production in Australia. Despite recent rainfall and some improvement in the availability of irrigation water, overall water availability remains at historically low levels following years of drought. A stronger Australian dollar has kept export prices low, although industry sources believe that historically high retail prices for fresh juice have improved the outlook for oranges suitable for processing.

As an example of the severity of drought conditions, the key production and exporting state of South Australia recently had its water allocation increased to 16 percent (of total entitlement). However, despite this increase, water allocations generally remain at historically low levels.

Planted Area

Post has revised area planted to oranges downwards sharply across the series, in line with recently released industry figures for 2008/09. The last time such figures were released was for 2003/04.

Total area planted to oranges for 2010/11 is forecast at 19,600 hectares, down around two percent on the revised estimate from the previous year. Recently released industry figures placed area planted to oranges for 2008/09 at 20,351 hectares, down sharply on the 27,000 hectares previously reported by post. Industry sources believe planted area is falling by roughly two percent a year over the longer term as the industry continues to restructure. Post has revised its area for 2008/09 in line with industry reports and trended its estimates and forecasts downwards in line with the longer term trend.

Industry statistics show that between 2003/04 and 2008/09 the Australian citrus industry has lost around 13 percent of its growers, eight percent of its total planted area and four percent of its trees. Industry rationalization and severe drought are believed responsible for this decline. During this time the average property size increased from 13.1 hectares (32.4 acres) to 14.1 hectares (34.8 acres) nationally.

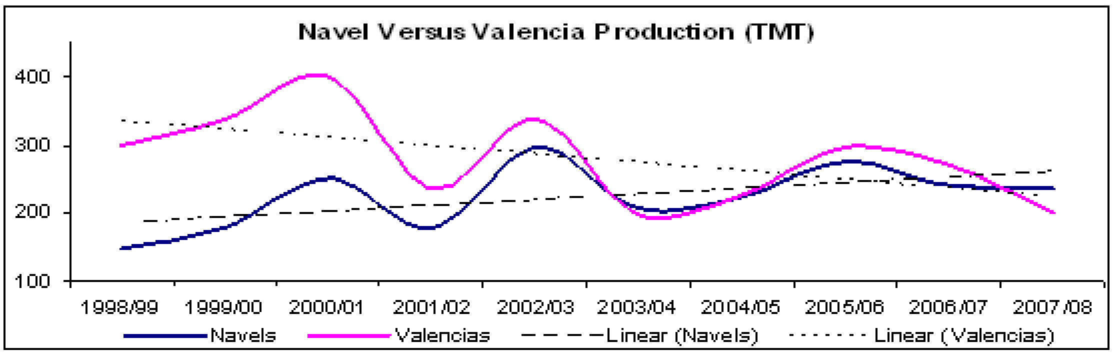
Going forward, industry sources remain upbeat about the industry's fortunes despite the fall in planted area with "non bearing" plantings reported at around 14 percent of total planting. This figure indicates that the remaining industry continues to make significant investments in new plantings.

Production

Oranges

Total orange production for 2010/11 is forecast at 440 TMT, up slightly on estimated production from the previous year. Industry sources expect Navel production to be up slightly while Valencia production is expected to remain largely unchanged. This forecast relies on a modest improvement in production conditions as a return to more normal weather conditions is expected to see production increase.

Post forecast is largely consistent with long term trends showing a modest increase in Navel production over the longer term while Valencia production has continued to decline steadily. Industry sources have suggested that recent historically high retail prices for fresh orange juice will likely limit the decline in Valencia production during the forecast year.



(Source: DAFF Australian Food Statistics 2008)

Post has revised production of oranges for 2009/10 downwards significantly to 430 TMT in line with recently released industry figures. Continued dry conditions are expected to keep production below levels previously forecast by post. According to industry figures, this production figure accounts for around 233 TMT of Navel productions and 197 TMT of Valencias.

Other citrus

Industry data for 2008/09 puts mandarin production at 107 TMT, lemon and lime production at 29 TMT, and grapefruit production at 8 TMT. In the three years from 2007/08 to 2009/10, mandarin production has risen only slightly, while lemon and lime production has remained unchanged. Grapefruit production has declined steadily.

Between 2003/04 and 2008/09 the area planted to grapefruit increased only slightly while the area planted to oranges, lemons, limes and mandarins all decreased.

Juice

Production of orange juice for 2010/11 is forecast to increase slightly to 10,846 MT, up from the revised estimate for the previous year. Historically high retail prices on the domestic market are expected to see a small increase in the delivery of oranges for processing. Post advises that this increase is likely to be modest as historic trends show the production of Valencia oranges (typically used for processing) to be declining.

Post has revised its production estimate for 2009/10 sharply downwards to 10,385 MT. A smaller than previously expected crop resulted in lower deliveries to processors and is likely responsible for current high retail prices.

Exports

Oranges

Total exports of oranges in 2010/11 are forecast at 130 TMT, unchanged from the estimate for the previous year. A historically high Australian dollar value for the foreseeable future is expected to constrain exports of Australian oranges despite a modest increase in production. Industry sources remain highly skeptical of prospects for increasing exports during 2010/11 while the Australian dollar remains at historically high levels.

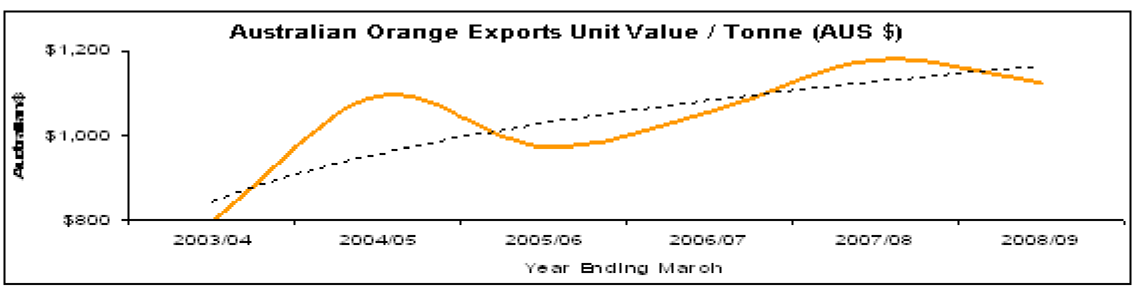
Exports to the US numbered 18 vessels for the 2009/10 citrus crop. At the time of writing this report, shipments for 2009/10 were down on the previous year due to poorer market conditions in the US, despite the improved quality of the Australian crop. Full-year exports for 2009/10 are expected to be equal to the previous year. Subdued demand and increased competition from other countries exporting to the US have created more difficult conditions. Countries such as Chile and Peru are reportedly undercutting Australian citrus prices by a significant margin.

Juice

Exports of orange juice for 2010/11 are forecast at 1,750 MT, down slightly on the estimate for the previous year. Historically high domestic retail prices and an historically high Australian dollar value are likely to place downward pressure on exports despite some increase in juice production.

Prices

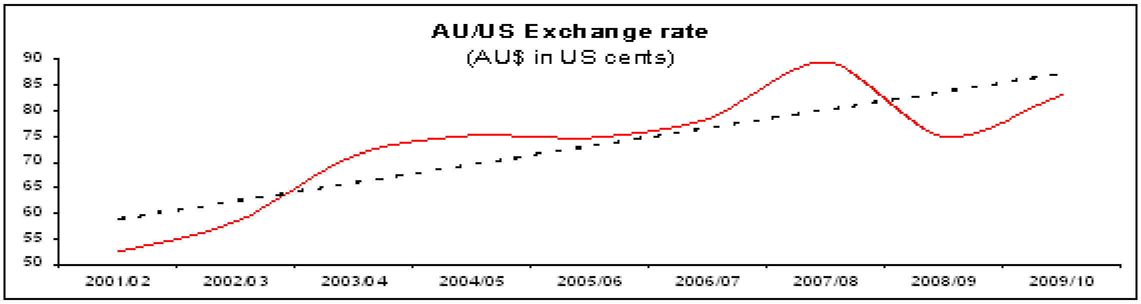
Industry sources are currently suggesting citrus prices have eased. Sluggish domestic demand and difficult exporting conditions have placed much downwards pressure on citrus prices at the farm level.



(Source: World Trade Atlas)

The good news for Australian citrus producers is that retail prices for fresh juice sold on the domestic market are currently at historically high levels. The long term decline in Valencia orange production, a popular juicing variety, is believed responsible for the surge in domestic retail prices.

World Trade Atlas data shows a decline in export prices in 2008/09. A strong increase in the value of the Australian dollar is believed responsible for this decline. Export values for Australian oranges will likely remain low while the Australian dollar remains at historically high prices, which industry sources expect for the foreseeable future.



(Source: ABARE Australian Commodity Statistics 2008)

ABARE estimates show that the value of the Australian dollar (in US cents) is expected to creep higher in 2009/10, reaching historically high levels after a brief decline in 2008/09. At the time of writing this report, the Australian dollar is valued at US$0.91, down slightly on year previous levels but up strongly on the previous two quarters.

Market Access

The board of Horticulture Australia Limited (HAL), the producer owned industry body which promotes consumption and market access, recently created a new "Office of Horticultural Market Access (OHMA). This office is run by a "skills based" committee which includes seven industry representatives, two members of the Australian Horticultural Exporters Association and one HAL representative. OHMA is directed by the Horticulture Market Access Committee which is responsible for prioritizing market access for Australian Government negotiations.

Quarantine

South Australia, a key citrus producing state, has recorded another season with no outbreaks of fruit fly. According to industry reports, this represents the third year in the last five that the state has had no outbreaks. South Australia is also purported to be the only Australian mainland state to be free of fruit fly (the island state of Tasmania is also fruit fly free). Fruit fly free status is believed to be a major advantage regarding fruit exports.

Production, Supply and Demand Data Statistics:

Oranges, Fresh										
	2007	Revised		2008	Estimate		2009	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2008	04/2008		04/2009	04/2009		04/2010	04/2010	MM/YYYY
Area Planted	27,000	27,000	20,351	27,000	27,000	20,000			19,600	(HECTARES)
Area Harvested	23,000	23,000	17,502	23,000	23,000	17,200			16,850	(HECTARES)
Bearing Trees	5,500	5,500	7,475	5,500	5,500	7,414			7,355	(1000 TREES)
Non-Bearing Trees	1,250	1,250	1,217	1,000	1,000	1,208			1,197	(1000 TREES)
Total No. Of Trees	6,750	6,750	8,692	6,500	6,500	8,622			8,552	(1000 TREES)
Production	440	440	403	480	480	430			440	(1000 MT)
Imports	17	18	17	15	15	15			16	(1000 MT)
Total Supply	457	458	420	495	495	445			456	(1000 MT)
Exports, Fresh	108	113	108	130	130	130			130	(1000 MT)
Fresh Dom. Consumption	199	195	162	200	200	180			185	(1000 MT)
For Processing	150	150	150	165	165	135			141	(1000 MT)
Total Distribution	457	458	420	495	495	445			456	(1000 MT)

Orange Juice										
	2007	Revised		2008	Estimate		2009	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2008	07/2008		07/2009	07/2009		07/2010	07/2010	MM/YYYY
Deliv. To Processors	150,000	150,000	150,000	165,000	165,000	135,000			141,000	(MT)

Beginning Stocks	1,022	1,022	1,022	810	810	810			895	(MT)
Production	11,538	11,538	11,538	12,700	12,700	10,385			10,846	(MT)
Imports	30,000	30,000	30,000	29,500	29,500	30,500			33,000	(MT)
Total Supply	42,560	42,560	42,560	43,010	43,010	41,695			44,741	(MT)
Exports	1,750	1,750	1,750	1,800	1,800	1,800			1,750	(MT)
Domestic Consumption	40,000	40,000	40,000	40,500	40,500	39,000			42,250	(MT)
Ending Stocks	810	810	810	710	710	895			741	(MT)
Total Distribution	42,560	42,560	42,560	43,010	43,010	41,695			44,741	(MT)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS9038	Grain and Feed Lock-Up – November 2009	10/29/09
AS9037	Dairy and Products Annual 2009	10/20/09
AS9036	Ord River Irrigation Offers Huge Potential and Ongoing Challenges	10/13/09
AS9035	Sugar Semi-Annual 2009	09/30/09
AS9033	FAIRS Export Certificate Report	09/02/09
AS9032	Livestock and Products Annual	09/01/09
AS9031	Exporter Guide	08/31/09
AS9030	U.S. Distillers Grains Promoted at Australian Grains Conference	08/18/09
AS9029	Grain and Feed Quarterly Lock-up Report	07/31/09
AS9028	FAIRS Country Report	07/27/09
AS9027	Agricultural Biotechnology Report	06/14/09
AS9025	Australia Gains Improved Access for Citrus & Mangos to China	06/17/09
AS9024	Global Biosecurity Conference to be held in Australia: Call for Abstracts	06/11/09
AS9020	Dairy & Products Semi-Annual	05/15/09
AS9018	Cotton Annual	04/28/09
AS9016	Sugar Annual	04/02/09